

CITY OF PASCO
Franklin County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The City Of Pasco Should Foreclose On Delinquent Local Improvement District Assessments In Accordance With State Statute

Our audit of the Local Improvement District (LID) assessments receivable revealed the following:

<u>Years</u> <u>Delinquent</u>	<u>Number of</u> <u>Accounts</u>	<u>Principal</u> <u>Amount Due</u>
2	19	\$ 8,413.54
3	5	3,299.37
4	2	8,042.48
5	3	4,214.90
6	2	12,402.06
9	7	<u>32,004.27</u>
		<u>\$68,376.62 *</u>

* This amount does not include applicable penalties and interest.

Washington State Statute requires timely foreclosure as codified in RCW 35.50.030 which states:

Authority and conditions precedent to foreclosure. If on the first day of January in any year, two installments of any local improvement assessment are delinquent, or if the final installment thereof has been delinquent for more than one year, the city or town SHALL proceed with the foreclosure of the delinquent assessment or delinquent installments thereof by proceedings brought in its own name in the superior court of the county in which the city or town is situate(d). (Emphasis ours.)

It is the city's practice to defer to Franklin County for foreclosure, as most properties with delinquent LID assessments also have delinquent real property taxes. Subsequent to the county's foreclosure, the city obtains the property from the county to protect the LID's interest.

When property with delinquent assessments is not foreclosed upon in accordance with RCW 35.50.030, liens for real property taxes, irrigation assessments, LID assessments, and the related interest and penalties continue to accumulate until the date of foreclosure. As the lien balance increases, the property owner is less willing, and possibly unable, to pay the delinquent amount. Further, the city's ability to fully recover all assessments, interest, penalties, and costs of foreclosure, through foreclosure sale, diminishes as the lien balance increases.

We recommend The City of Pasco design and implement a system for initiating

foreclosure proceedings on the first of January of each year in accordance with RCW 35.50.030.

2. Internal Controls Should Be Improved At The Pasco Municipal Court

Our review of internal controls at the Pasco Municipal Court found the following weaknesses:

- a. Incompatible duties: Six employees perform duties as cashier. These same six people update accounts receivable) an incompatible function) including the posting of new citations, cash receipts, and non-cash credits.
- b. An accounts receivable control account is not maintained.
- c. Judges' orders are sometimes received orally with no signed documentation to assure the change is authorized.

A good system of internal control is required to ensure that cash and accounts receivable are safeguarded against loss and that errors or irregularities will be detected in a timely manner.

The workload and staffing level has made segregation of duties difficult. However, the control weaknesses described above increase the possibility of errors or irregularities occurring and not being detected in a timely fashion.

We recommend the municipal court develop and implement necessary policies and procedures to provide effective internal controls over cash receipts including:

- a. Segregation of duties.
- b. Implementation of an accounts receivable control account.
- c. Requiring all judges' orders, imposing or modifying fine amounts, be documented in writing.